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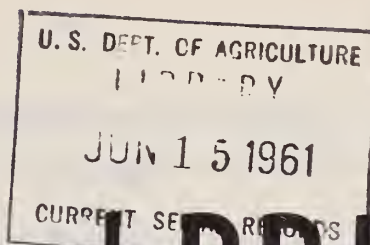
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DEMAND and PRICE SITUATION

DPS-64



April 1960
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Approved by the Outlook and Situation Board, April 20, 1960

REAPPRAISAL OF THE 1960 AGRICULTURAL OUTLOOK

The outlook for agriculture in 1960 now appears brighter than it did last fall. The index of prices received by farmers has increased some 5 percent between mid-December and mid-March, primarily due to higher prices for hogs, cattle, broilers, and eggs. Currently, the index is only slightly below the levels of a year earlier. Prices received by farmers the remainder of the year may well average the same or even some better than in the same period of 1959. Farm cost rates, although quite stable in recent months, are at a slightly higher level than in 1959.

Accordingly, if growing conditions this year are about average, cash receipts from a continued heavy volume of farm marketings may well be about the same as in 1959. However, with some increase in farm production costs likely, realized net farm income of farm operators may fall slightly short of the 11.0 billion dollars realized in 1959. Even so, with the number of farm people continuing to decline and with income of farm people from nonfarm sources rising as nonfarm job opportunities expand, the per capita net income of farm people from all sources this year could well equal that of 1959. It should also be kept in mind that weather during the coming season could depart substantially from the assumption of "average" or "normal." For example, in 1958, when weather was unusually favorable, crop production per acre rose some 12 percent, increasing crop production and income as well as the flow of commodities under CCC price support operations.

(Continued on page 3)

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AGRICULTURAL MARKETING SERVICE
UNITED STATES DEPARTMENT OF AGRICULTURE

ECONOMIC FACTORS AFFECTING AGRICULTURE

Item	Unit or base period	1959			1960		
		Year	Mar.	Dec.	Jan.	Feb.	Mar.
Industrial production, seasonally adj. <u>1/</u>	1947-49=100	159	157	165	168	166	165
All manufactures	do.	158	156	164	168	166	165
Durable goods	do.	165	165	174	181	178	176
Nondurable goods	do.	155	151	158	159	157	157
Mining	do.	125	126	129	128	125	123
Utilities	do.	268	261	277	280	281	284
Construction:							
Total outlays, seasonally adjusted <u>2/</u>	Mil. dol.	54,313	4,659	4,331	4,489	4,538	4,406
Public construction	Mil. dol.	15,970	1,501	1,187	1,278	1,308	1,277
Private residential	Mil. dol.	22,377	1,867	1,760	1,804	1,784	1,715
Housing starts	Thousands	1,377	1,403	1,330	1,216	1,115	1,115
Manufacturers' sales and inventories: <u>2/</u>							
Total sales, seasonally adjusted	Mil. dol.	29,758	29,130	30,790	31,110	31,550	
Durable goods	Mil. dol.	15,359	14,400	15,010	15,450	15,670	
Unfilled orders-sales ratio <u>5/</u>		3.25	3.28	3.21	3.07	2.99	
Inventory-sales ratio <u>6/</u>		1.73	1.73	1.70	1.71	1.71	
Durable goods		1.96	2.01	2.00	1.99	2.00	
Employment and wages: <u>7/</u>							
Total civilian employment	Millions	65.6	63.8	65.7	64.0	64.5	64.3
Nonagricultural	do.	59.7	58.6	60.9	59.4	59.9	59.7
Unemployment	do.	3.8	4.4	3.6	4.1	3.9	4.2
Workweek, in manufacturing	Hours	40.3	40.2	40.5	40.3	39.8	39.6
Hourly earnings in manufacturing	Dollars	2.22	2.22	2.27	2.29	2.29	2.29
Income and spending:							
Personal income payments <u>2/ 3/</u>	Bil. dol.	380.2	375.4	392.1	392.8	393.0	393.5
Consumer credit outstanding <u>1/</u>	Mil. dol.	52,046	44,925	52,046	51,356	51,021	
Automobile	Mil. dol.	16,590	14,494	16,590	16,568	16,677	
Total retail sales, seasonally adj. <u>2/</u>	Mil. dol.	17,930	17,914	17,485	18,090	18,104	18,047
Durable goods	Mil. dol.	5,962	6,045	5,328	5,891	6,018	5,876
Inventory-sales ratio <u>6/</u>		1.36	1.84	1.39	1.35	1.37	
Prices:							
Wholesale prices, all commodities <u>4/</u>	1947-49=100	120	120	119	119	119	120
Commodities other than farm and food	do.	128	128	129	129	129	129
Farm products	do.	89	91	86	86	87	90
Foods processed	do.	107	107	105	106	106	107
Consumer price index, all items <u>4/</u>	1947-49=100	125	124	126	125	126	
Food	do.	118	118	118	118	117	
Prices received by farmers <u>8/</u>	1910-14=100	240	244	228	231	233	240
Crops	do.	221	220	217	219	219	222
Livestock and products	do.	255	264	238	242	244	256
Prices paid, interest, taxes and wage rates <u>8/</u>	1910-14=100	298	297	297	299	299	300
Family living items	do.	289	287	291	290	289	290
Production items	do.	266	267	264	265	266	267
Parity ratio <u>8/</u>		80	82	77	77	78	80
Farm income and marketings: <u>8/</u>							
Volume of farm marketings	1947-49=100	127	96	160	131	101	96
Cash receipts from farm marketings	Mil. dol.	32,777	2,107	3,224	2,717	2,072	2,100

Annual data for most of these items for the years 1929, 1939, 1941 and 1946-59 will appear on page 40 of this issue.

1/ Federal Reserve Board. 2/ U. S. Department of Commerce. 3/ Seasonally adjusted annual rates.
4/ U. S. Department of Labor, Bureau of Labor Statistics. 5/ Unfilled orders for durables divided by monthly deliveries. 6/ Inventories, book value, end of month, divided by sales. 7/ Bureau of the Census.
8/ U. S. Department of Agriculture, Agricultural Marketing Service.

The level of crop production this year will, of course, be largely determined by weather developments. So far this year moisture conditions have been better than last year, although some delays in spring planting have resulted from heavy rains. Further, there is an underlying uptrend in yields over the longer term reflecting advancing crop technology. As of April 1, the indicated yield per acre for winter wheat was above last year and indicated production some 50 million bushels larger. Carryover stocks of wheat and corn at the beginning of the 1960 season are expected to be at record highs. The carryover of cotton has been substantially reduced in recent years but is still large. Most of these carryover stocks are held by the CCC. At the end of February 1960, CCC investment in inventories and price support operations totaled \$9.0 billion--about the same as at the end of February 1959.

Marketings of livestock and of livestock products are showing a smaller increase this year than last. Cattle marketings have increased only moderately despite the buildup of some 8 million head in cattle inventories on farms and ranches in the past 2 years. Better early moisture conditions in the West this year may encourage ranchers to hold back stock. In some future period, the buildup in cattle numbers could bring some difficult marketing problems. Hog marketings later this year will be drastically reduced from 1959 levels reflecting the 10-12 percent cutback in the spring pig crop indicated in recent intentions surveys. Per capita supplies of red meat this year may show some reduction from 1959, as a result of smaller pork production.

Marketings of broilers and eggs are running under a year earlier, partly reflecting the effects of bad weather in recent months. With layers on farms down appreciably, marketings of eggs the rest of this year will continue to run under a year earlier. Broiler production may show only a small increase for the year as a whole in contrast to very substantial increases in other recent years. Output of milk has begun to run slightly ahead of last year.

Economic growth has been resumed following the settlement of the steel strike last fall. Employment in March rose to a new high for the month--over 400,000 higher than a year earlier even though late winter storms were a special factor this March. Unemployment was lower by 150,000, to 4.2 million persons. Wage rates in manufacturing have risen 4 percent from a year earlier. Thus, the flow of income to consumers in the first quarter of 1960 was about 6 percent larger than in the first quarter of 1959.

Even with higher prices to consumers, and a substantial increase in population, the per capita purchasing power of the average consumer in the United States increased more than 2 percent in the past year. This has been reflected in a strong consumer demand for food. Total sales at retail food stores so far this year have averaged 3 percent above a year earlier. Retail food prices have averaged slightly lower, but the marketing spread between the farmer and the consumer was somewhat wider than a year ago.

The main elements in the expansion of the economy over the past year have been a strong consumer demand for goods and services reflecting rising incomes augmented by a substantial increase in the use of consumer credit; a rapid rise in business expenditures for new plant and equipment; a restocking of business inventories, particularly those which were depleted by the steel strike; and improvement in our net export balance as exports rose somewhat more than imports, relieving some of the pressure on the U. S. balance of international payments.

On the other hand, residential construction has been reduced, reflecting the effect of higher interest rates and a tight supply of funds available for mortgages. New nonfarm housing starts so far this year have run 16 percent below a year ago. The contributions of Federal, State, and local governments to economic activity have not shown much change. Federal outlays for goods and services were down some over the past year but State and local government expenditures continued their postwar increase.

Indications are that the uptrends in consumer income and in consumer demand for food and most other goods and services will continue the remainder of the year. Substantial increases in business outlays for new plant and equipment appear assured. The recent survey by the Securities and Exchange Commission and the U. S. Department of Commerce of business plans for capital outlays indicate an increase of 14 percent this year as compared with last. Corporate profits have recovered and depreciation reserves are large. Most of the prospective increase in capital outlays will likely be financed internally rather than from outside sources. With some recent easing in the money market, the prospects for residential construction have improved and applications for FHA commitments have risen. Business inventory accumulation, however, which has recently been at an exceptionally high rate, will likely ease off as the year progresses. Even so, a sharp shift is not anticipated inasmuch as inventory-sales ratios are still relatively low. Not much change is indicated in our net export balance the remainder of the year although competition from abroad is growing. Government outlays the remainder of the year will likely show some further increase, primarily in State and local government expenditures for public services for an expanding population. The coming of spring, following a severe winter, has brought some improvement in retail sales, particularly for automobiles. On balance, these factors indicate that further increases in employment are in prospect. Together with the trend toward higher wage rates, this should generate additional increases in consumer incomes and consumer expenditures.

The value of U. S. exports of farm products during the fiscal year which ends next June 30 is now estimated at \$4.5 billion, up some \$800 million from fiscal year 1958-59. The physical volume of farm commodities moving to foreign countries is likely to set a new record. Most of the increase during the current fiscal year is due to substantially larger shipments of cotton. The total for the current fiscal year may be about $6\frac{1}{2}$ million bales compared with about 3.1 million bales in the 1958-59 year. This reflects primarily increased demand and reduced supplies abroad.

In addition, exports of most other commodities--notably wheat, rice, feed grains, and fats and oils--are also larger this year than last.

Prices received by farmers as of mid-March averaged $1\frac{1}{2}$ percent below a year earlier but 5 percent above the mid-December level. Average prices to farmers during the remainder of the year are likely to hold fairly close to those prevailing in the first 3 months of the year. Prices of hogs, especially, will run substantially higher in the second half of 1960 than in the same period of 1959, reflecting sharp cuts in the number of pigs being raised this spring. The price outlook is favorable also for eggs as the number of laying flock replacement chickens has been sharply reduced. Only moderate increases in cattle slaughter are likely during the rest of the year and prices are likely to hold near 1959 levels. Support prices for dairy products and for 1960 crops of oats, barley, and sorghum grains are at the same levels as in the 1959-60 marketing year. On the other hand, supports for wheat, corn, and cotton are somewhat lower.

Prices paid by farmers for production items, interest, taxes, and wage rates in mid-March were less than 1 percent higher than a year earlier, although still a record high. Prices of feed, feeder livestock, and motor vehicles were slightly lower but prices paid by farmers for farm machinery were higher. Interest charges payable per acre were 8 percent higher than in 1959 while taxes payable on farm real estate have risen 6 percent. Farm wage rates as of April 1 averaged some 5 percent higher than a year ago. Living cost rates for farm families are also up slightly from a year ago with lower prices for food offsetting most of the increases which have occurred in other categories. By and large, cost rates to farmers both for production and for living are expected to remain fairly steady the rest of the year.

Cash receipts from farm marketings in the first quarter of 1960 were 5 percent smaller than in the same period of 1959, mostly a reflection of lower average prices. With prices likely to compare more favorably with a year earlier during the remainder of the year, cash receipts for 1960 as a whole may be about the same as in 1959. Some decline in receipts from crops appears probable but increases from hogs, poultry, eggs, and dairy products should be an offset. Government payments to farmers this year will show some increase, reflecting expansion of payments under the Conservation Reserve Program.

Production expenses this year will be up some, largely in the overhead items of interest charges, farm real estate taxes, and depreciation allowances, although farm wage costs will likely rise as well. However, with considerable stability in the farm cost rate structure, the increase in production expenses this year is likely to be the smallest in 5 years. Although the seasonally adjusted rate of realized net farm income in the first quarter was substantially lower than in the first quarter of 1959, it is likely to show improvement the rest of the year.

Commodity Highlights

For 1960 beef cattle and calf prices will probably average a little lower. Hog prices will be notably higher than in 1959. The relatively favorable outlook for meat animal prices in 1960 is due to a prospective slight reduction in meat supplies per person coupled with the continuing strong consumer demand.

Prices received by farmers for milk and butterfat in 1960 will be about the same as in the past two years, and with the volume of milk sold probably reaching a new record, cash receipts are expected to exceed the record \$4.6 billion of 1957.

Terminal market prices for eggs in early April were the highest since September and about a third above a year ago. On April 1, there were 4 percent fewer layers than a year earlier, and hatchings of egg-type chickens in the first quarter were down a third from last year indicating smaller supplies of eggs. A pronounced price rise is likely for the summer and fall of 1960. Declines below a year ago in broiler hatchings are likely to sustain prices through the summer at or above the mid-March average of 18.1 cents a pound.

The carryover of food fats and oils next September 30, will probably be about the same as last year. Remaining supplies are large but exports and domestic use are likely to continue high for the rest of the marketing year.

The feed grain and concentrate supply may increase again in 1960-61 reaching a new record, if early spring prospects materialize. Production of feed grains may be a little below the 1959 record of 166 million tons, but the carryover will be around 10 million tons higher than at the beginning of 1959-60.

The 1960 winter wheat crop was estimated on April 1 at 977 million bushels, indicating a total crop of around 1.2 billion bushels. With a crop of this size the carryover on July 1, 1961 would probably be up.

Production of vegetables for fresh market for spring harvest are likely to be moderately smaller than output a year earlier, but supplies of fresh vegetables are expected to increase seasonally and prices to average lower during the next few weeks. Total supplies of potatoes will probably be a little smaller this spring than last; stocks are lower but production is expected to be higher. Because of late crops and a more than usual overlap of harvest between important producing areas, prices to growers in late spring and early summer probably will average below the relatively high levels of a year earlier.

Exports of cotton between August 1959 and February 1960 were about 4.0 million bales compared with 1.6 million in the same period a year earlier. With a higher domestic mill consumption, the carryover on August 1 is estimated at 8.1 million bales, down sharply from 8.9 on August 1, 1959.

World wool prices advanced slowly late in March and early April. With world production and consumption approximately in balance, prices are expected to remain relatively firm in the next few months.

Demand for cigarette and most cigar tobaccos is expected to continue strong in the coming season, with cigarette output likely to reach a new high, and cigar and cigarillo production the highest since the early 1920's.

GENERAL BUSINESS CONDITIONS

Gross national output in the first quarter of 1960 was at a \$498 billion rate, about \$15 billion above the last quarter of 1959, as economic conditions improved materially over last fall, and \$28 billion above a year earlier. Much of the expansion in the last 2 quarters has been associated with the rebuilding of inventories. Rising consumer purchases, an expansion in capital spending and a sharp pickup in the net export balance also contributed to the increase over the fourth quarter of 1959.

Table 1.--Gross national product, 1959 and 1960

(Billion dollars, seasonally adjusted annual rates)

Item	1959						1960
	I	II	III	IV	Total	I	1/
Gross national product	470.4	484.8	478.6	483.5	479.5	498.0	
Personal consumption expenditures	303.9	311.2	313.3	317.0	311.6	320.8	
Durable goods	41.3	44.1	43.6	42.8	43.0	43.5	
Nondurable goods	145.3	147.7	148.0	150.1	147.9	151.0	
Services	117.4	119.4	121.6	124.1	120.7	126.3	
Gross private domestic investment	70.0	77.7	67.0	69.7	71.1	77.5	
New construction	39.7	41.0	41.0	39.2	40.2	40.4	
Residential	21.9	23.1	22.6	21.3	22.2	21.2	
Other	17.8	17.9	18.3	17.9	18.0	19.2	
Producers' durable equipment	23.9	26.0	27.0	27.5	26.1	28.1	
Change in business inventories	6.3	10.7	-1.0	3.0	4.8	9.0	
Net exports of goods and services	-.9	-1.8	.0	-.6	-.8	1.0	
Government expenditures for goods and services	97.4	97.7	98.4	97.4	97.6	98.7	
Federal (excl. sales)	53.8	53.9	53.6	52.7	53.5	52.2	
National defense	45.8	46.2	45.9	45.3	45.8	44.8	
State and local	43.6	43.8	44.8	44.7	44.1	46.5	
Disposable income	327.4	335.3	335.1	340.8	334.6	345.4	

1/ Preliminary estimates by Council of Economic Advisers.
Department of Commerce.

Consumer Income and Spending

Income received by persons reached an annual rate of \$393 billion in the first quarter of 1960, up from \$387 billion in the fourth quarter of 1959 and 6 percent above a year ago. Personal income recovered rapidly in November and December, then leveled out in the first quarter. Over the past year most of the increase in income resulted from a 7 percent increase in wage and salary payments. Average hourly earnings were up 3-4 percent in manufacturing, construction and trade. Employment also was up. Average hours worked in nonagricultural industries in the first quarter of 1960 were about the same as a year earlier.

Income per person available for spending continued to climb in the first two quarters of 1959, dipped in the third quarter because of the steel strike, and then rose in the final quarter of 1959 and the first quarter of 1960. The first quarter rate of \$1,932 was about 4 percent above a year earlier. After adjusting for the higher level of consumer prices, real per person disposable income was about $2\frac{1}{2}$ percent above the first quarter of 1959, compared with a 3 percent rise between the first quarter of 1958 and the first quarter of 1959. The real national output increased nearly 8 percent between early 1958 and early 1959, reflecting the recovery from the 1957-58 recession, compared with a gain of about 4 percent a year later.

Consumers supplemented higher incomes with borrowings and increased their purchases of goods and services to an annual rate of \$321 billion in the first quarter; this was about 6 percent above a year ago. Durable goods purchases have increased sharply since mid-1958. In the first quarter of 1960, dealers' sales of new automobiles were 15 percent above a year ago, and up substantially from the fourth quarter of 1959 when steel shortages reduced production and sales. Retail sales of major appliances were up moderately from the first quarter of 1959.

Purchases of nondurable goods rose 4 percent and services 8 percent in the first quarter of 1960 over the same period of 1959. Most items registered substantial gains, in real terms. Purchases of food in 1959, in real terms, increased relatively more than in current dollars because of lower average prices. In the first quarter of 1960, retail sales of the food group were 3 percent higher than a year earlier continuing the year to year gains of other recent quarters. The farmers' share of the retail food dollar averaged 38 cents in 1959, the lowest since 1939. The retail value of the "market basket" of farm produced foods declined a little more than 2 percent. The farm value declined 7 percent. The marketing margin rose about 1 percent, one of the smallest increases since 1947, and it is expected to show some further rise this year.

Consumer Debt Higher

Consumers, with rising incomes, added substantially to their debt in the past year. Mortgage debt outstanding on nonfarm 1-to 4-family properties at the end of December totaled \$131.3 billion, up $\$13\frac{1}{2}$ billion from a year earlier.

Consumer installment credit outstanding at the end of February totaled \$39.4 billion, up \$5.4 billion from a year earlier compared with \$747 million rise in the preceding year. Nearly one-half of last year's gain was accounted for by automobile paper, and about a fourth each of other consumer goods and personal loans. The expansion in installment credit during the past year was about as rapid as in the 1954-55 period, and the ratio of repayments of consumer installment credit outstanding to disposable income in the first quarter of 1960, at 13 percent, was about the same as in other recent years.

Consumers Optimistic

According to the University of Michigan's Survey Research Center, consumers in January and February indicated that they planned to increase their spending this year. Consumers intend to purchase about one-fifth more cars than last year, but increasing emphasis will be placed on compact cars with the median planned expenditures below last year. Also planned are somewhat higher purchases of most household appliances than a year ago. The proportion of people surveyed in early 1960 who felt that it was a good time to buy such items as autos, and household goods was much larger than last year.

Consumer Prices Up

Consumer prices, both urban and rural, in the first quarter of 1960 were about 1 percent above a year ago. Over the past year lower average food prices partially offset the increases in nonfood items. Among the nonfood farm family living items, the building material, autos and auto supplies and clothing groups showed the largest gains. Among the items urban consumers buy, services such as rents and medical care have registered the strongest gains since early 1959. Durable goods, and nondurables other than food were moderately higher.

Table 2.--Consumer prices, selected items, February and August 1959 and February 1960 with comparisons

(1947-49=100)					
Item	1959		Feb. 1960	Percentage change	
	Feb.	Aug.		Aug. 1959: from Feb. 1959	Feb. 1960: from Aug. 1959
Urban consumer prices	123.7	124.8	125.4	0.9	0.5
Food	118.2	118.3	117.6	.1	-.6
All items less food	126.7	128.2	129.4	1.2	.9
Nondurables less food	117.1	118.6	119.2	1.3	.5
Apparel	106.7	107.9	107.7	1.1	-.2
Durable goods	112.2	112.8	113.6	.5	.7
New cars	140.0	136.5	141.3	-2.5	3.5
Services	144.2	146.3	148.2	1.5	1.3
Rent	139.0	139.8	140.9	.6	.8
Household operations	133.3	135.1	137.2	1.4	1.6
Medical care	154.0	157.0	159.5	1.9	1.6

U. S. Department of Labor.

Private Investment

Capital spending by businessmen in 1960 is expected to rise a seventh over 1959 and equal the 1957 level of \$37 billion, according to a recent survey of businessmen's anticipated investment conducted late in January and February by the Securities and Exchange Commission and the Department of Commerce. The physical volume of new plant and equipment anticipated in 1960 is somewhat below 1957, since prices as measured by the Department of Commerce implicit deflator rose 4 percent for other construction and 5 percent for producers durable equipment between calendar years 1957 and 1959. The quarterly data indicate that plant and equipment spending will average a \$36 billion annual rate in the first half of 1960, and go to a \$38 billion rate in the last half.

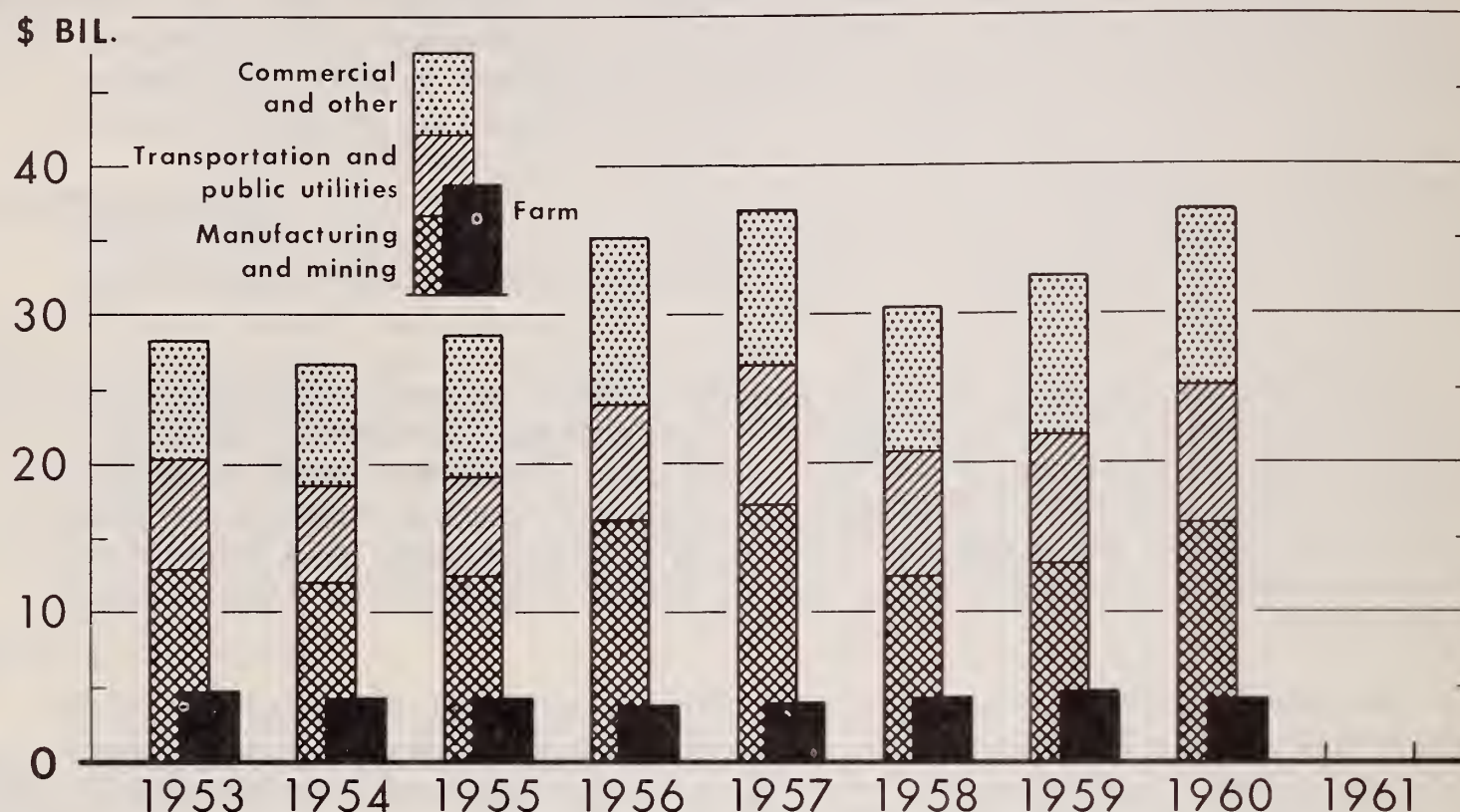
The increase in real national output of about a tenth and marked improvement in corporate profits since mid-1958 are important factors behind the continued rise in plant and equipment spending. Corporate profits are about 50 percent above mid-1958. Retained earnings have jumped sharply and with higher depreciation and amortization reserves, businessmen will be able to finance most of the expanded plant and equipment expenditures from internal sources.

The record rate of Government and private research expenditures tends to stimulate the development of new products and processes, which require additional plant and equipment. According to estimates of the National Science Foundation total research and development expenditures by business, nonprofit institutions and Government totaled a record \$12.4 billion in 1959-60, a new record, more than double the level 6 years ago. Expenditures under research and development programs of the Federal Government accounted for about two-thirds of total expenditures in 1959-60.

Manufacturing firms, which had comparatively low investment programs in the past 2 years, are expected to increase spending a fourth in 1960 with outlays by durable goods firms up a third. While the increases in manufacturing are substantial in many industry groups, the total is less than in the previous investment boom in 1956-57. Steel companies expect to invest \$1.7 billion in 1960, two thirds more than in 1959, with a substantial increase of about a fifth in outlays of nonferrous metals producers. Among durable goods manufacturing firms, large advances are scheduled by the machinery groups. Petroleum producers are expected to increase their outlays by 18 percent if the present plans are realized.

In nonmanufacturing industries investment spending is expected to reach a record \$22 billion, up \$1½ billion from 1959. Spending by electric utilities is scheduled to rise 7 percent from 1959; power production is currently at a record. Gas utilities are expected to rise about 7 percent, while railroads report they expect only a moderate increase, primarily for road rather than equipment. Airlines are moving ahead with scheduled purchases of turbine-powered aircraft, and communication firms are scheduled to reach a new record investment in 1960.

CAPITAL EXPENDITURES BY BUSINESS AND AGRICULTURE



SOURCE: DATA ON BUSINESS PLANT AND EQUIPMENT FROM COMMERCE DEPARTMENT - SECURITIES AND EXCHANGE COMMISSION. FARM CAPITAL EXPENDITURES FROM AMS.

1960 FIGURES ARE ANTICIPATED

U. S. DEPARTMENT OF AGRICULTURE

NEG. 7077-60(4) AGRICULTURAL MARKETING SERVICE

Residential Construction Eases

Residential construction reached its peak early during the current expansion. During the 1957-58 recession the policy of the Federal Reserve System favored easier credit and support to mortgages was provided through purchases by the Federal National Mortgage Association. From mid-1958 to early 1959, the annual rate of housing starts increased rapidly from about 1 million to about 1.4 million. In late 1958 and early 1959, the Federal Reserve credit policy shifted to tighter credit and interest rates firmed rapidly. This was quickly reflected in the mortgage market, resulting in a decline in new nonfarm housing starts in the last half of 1959 and early 1960. In March, new starts were down to an annual rate of 1,115,000. Outlays, which follow starts by a few months, reached their peak rate of \$23.1 billion in the second quarter of 1959 and in the first quarter of 1960 were down to \$21.2 billion.

Nonresidential Outlays Higher

Private nonresidential construction has been increasing since the second quarter of 1959. In the first quarter, outlays were at an annual rate of \$19.2 billion, up 8 percent from a year ago. Sharp increases in commercial

and industrial activity accounted for most of the gain. Industrial construction reflected the rise in capital spending, particularly for new research facilities, but remained much below the 1957 peak. The boom in office buildings is continuing, and construction of stores, restaurants, and garages in early 1960 was about a fourth above a year ago. Construction outlays for churches, schools, and hospitals also continued to rise and were up about a tenth. Outlays for public utility facilities were up moderately.

Inventories Up In First Quarter

The wide swings in business inventories since early 1959 have been largely associated with the work stoppage in the steel industry, though stocks also were accumulated to handle the rising volume of sales. During the first half of 1959, inventories were built up rapidly to a rate of \$10.7 billion in the second quarter. This was followed by liquidation of \$1.0 billion in the third quarter. Since the reopening of the steel mills, inventories have increased and by the first quarter of 1960 reached an annual rate of \$9.0 billion.

The ratio of inventories to sales gives an indication of the relative buildup in stocks. Although inventories have increased rapidly since last fall, stock-sales ratios in February 1960 were moderately below a year earlier and sharply below 2 years ago, near the low point of the 1957-58 recession. Stock-sales ratios in manufacturing in June 1959 declined to 1.67 from 2.09 in March 1958. During the steel strike, ratios increased some as sales of durable goods, particularly primary metals, dipped but by early 1960 they were back close to mid-1959 levels. At retail, stock-sales ratios in early 1960 were about the same as in early 1959 but below other recent years. With generally low stock-sales ratios some further increase in inventories seems likely in order to handle the anticipated higher volume of business transactions in the coming months.

Government Demand

Government spending which accounts for about a fifth of total gross national product increased moderately during the past year. Purchases by the Federal Government declined slightly, but those of State and local Governments increased moderately.

Federal Government purchases in the first quarter of 1960 were at a rate of \$52.2 billion compared with \$53.8 billion a year earlier. Declines in national security purchases and expenditures for price support were mainly responsible. Based upon estimates in the President's 1960-61 Budget, not much change is likely in the level of Federal purchases during this calendar year.

State and local Governments were spending at a rate of \$465 billion in the first quarter, about \$3 billion more than a year earlier. This was a somewhat smaller increase than in the previous year due mainly to a slowdown in construction, particularly for Federally aided highways. Contract awards were reduced in 1959 following acceleration of the road building program in 1958 as

Table 3.--Manufacturers' and retail stock-sales ratios,
February 1956-February 1960

Item	Feb. 1956	Feb. 1957	Feb. 1958	Feb. 1959	Feb. 1960
Manufacturers	1.72	1.79	2.05	1.75	1.71
Durable goods	1.99	2.09	2.51	2.05	2.00
Primary metals	1.38	1.66	2.48	1.76	1.61
Transportation equipment	2.28	2.14	2.53	2.11	2.09
Machinery	2.43	2.44	2.71	2.20	2.14
Nondurable goods	1.45	1.49	1.64	1.47	1.43
Food	1.10	1.09	1.07	1.06	1.03
Petroleum and coal	1.08	1.08	1.28	1.09	1.07
Chemicals	1.76	1.89	2.16	1.93	1.73
Rubber	2.17	2.09	2.63	2.09	2.11
Retail	1.59	1.46	1.51	1.37	1.37
Durable	2.14	1.89	2.22	1.87	1.93
Automotive group	1.57	1.34	1.75	1.35	1.44
Furniture and appliances	2.34	2.20	2.27	2.20	2.21
Nondurable	1.30	1.23	1.18	1.13	1.09
Food	.73	.72	.68	.67	.68
Apparel	2.91	2.77	2.77	2.52	2.40
General merchandise	2.55	2.35	2.48	2.22	2.22

Department of Commerce.

an anti-recession measure. According to estimates released by the Department of Commerce last fall, highway construction will be close to \$5.7 billion in 1960. Highway construction outlays picked up sharply in the first quarter from the \$4.7 billion annual rate in the last quarter of 1959 but were still well below the expanded levels in early 1959. Outlays by State and local Governments for other construction is expected to increase moderately in 1960. Compensation of employees continued to climb in 1959 and early 1960. Employment in the first quarter of 1960 was up about 250,000 from a year earlier, and average salaries were higher.

Employment and Production

The labor force in the first quarter of 1960 averaged 600,000 above a year earlier. The growth in the labor force in recent years has been somewhat below that which would be expected based on long-run trends. The labor market situation improved some in the first quarter of 1960 and employment averaged 1,184,000 above a year earlier. In March, employment was affected by unusually

cold weather, and agriculture and construction jobs failed to show the usual seasonal pickup. Agricultural employment was a little lower in the first quarter of 1960 than in 1959 but nonagricultural employment averaged about $1\frac{1}{2}$ million higher. Among the industry groups, manufacturing employment increased about 700,000 between the first quarter of 1959 and the first quarter of 1960 with practically all the increase among durable goods firms. Private nonmanufacturing employment averaged 27.9 million and was up nearly as much as manufacturing with continued gains in trade and services.

Job Prospects Improve

Employer hiring plans, as reported to local public employment offices, point to some upward movement in employment to mid-May. The outlook is mixed in durable goods manufacturing industries with considerable uncertainty in the auto industry. Little change is expected in employment in steel centers. Aircraft employment is expected to continue to decline, but moderate increases are expected in machinery, fabricated metals, and ordnance. A seasonal pickup is expected in the food processing and apparel industries. In nonmanufacturing seasonal increases in jobs are expected in the construction, trade and service groups.

Employment increased substantially last year and unemployment in the first quarter of 1960, seasonally adjusted, averaged 3.6 million, down about a half a million from a year earlier. In March unemployment increased in contrast to a normal seasonal decline, in large part due to the curtailment in outdoor work as a result of unusually cold weather. However, there were some cutbacks in steel and automobile employment, which added to the number seeking work. The rate of unemployment which averaged 5.8 percent in the first quarter of 1959 was down to 5.1 percent in the first quarter of 1960.

Production Eases

Industrial production reached a peak of 110 (1957=100) in June 1959, then dipped to 102 in October, then recovered rapidly to a new record of 111 in January. In February and March the production index dipped as inventories increased faster than sales, resulting in some reduction in output. The Federal Reserve Board's index of industrial production indicates March production at 1 point below the February level of 110 (1957=100) and 2 points below the record high in January.

Production of steel and automobiles eased in February and March. Production in steel reached 96 percent of capacity in December and has since eased off to 92 percent in March. In mid-April the operating rate was down further to 80 percent. Production of automobiles has declined some from the record 688,000 in January. While retail sales have been running well above a year ago, production was substantially higher resulting in a rapid buildup in inventories to about a million units and resulted in some curtailment in production in March.

Total production of consumer staples rose only slightly in March as increases in processed foods, beverages and tobacco, and newspapers, magazines, and books were partly offset by a decline in consumer fuel and lighting. On the other hand, production of home goods (appliances, furniture, etc.) and apparel continued to decline, falling 6 percent from the 122 peak in December. Output of business equipment and materials were maintained at peak rates through the first quarter.

Table 4.--Industrial production, selected months 1959-1960,
seasonally adjusted

Item	(1957=100)				
	1959				March 1960
	March	June	September	December	
Total index	104	110	103	109	109
Consumer goods	107	111	112	112	113
Automotive products	106	113	98	99	115
Home goods and apparel	110	118	119	122	115
Appliances, TV, and radios	103	115	124	133	na
Furniture and rugs	114	121	118	122	na
Apparel	113	119	117	120	na
Consumer staples	106	108	111	110	111
Processed foods	104	107	107	107	na
Equipment, business	93	102	103	103	105
Industrial	90	100	101	104	na
Farm	112	132	129	105	na
Materials	104	110	99	109	109
Durable goods	104	112	91	107	108
Nondurable goods	104	108	107	111	109

NA not available.

Federal Reserve Board

Industrial Prices Continue to Rise

Industrial prices continued to inch up in the past year and in March were about 0.5 percent above a year ago. The largest gains were in textiles and apparel and hides and leather where demand was particularly strong last year. Metals, and machinery products continued to increase but somewhat less than in other recent years.

Table 5.--Wholesale industrial prices, 1959-1960

(Index 1947-49=100)							
Commodity	:	1959		:	:	Percentage	
	:			:	:	change	
	:	:	:	:	March	Sept.1959	Mar.1960
	:	Mar.	Sept.	:	1960	from	from
	:	:	:	:		Mar.1959	Sept.1959
Industrial prices	:	128	128		129	.0	0.8
Machinery and motive products	:	152	154		154	1.3	.0
Metal working machinery	:	180	183	<u>1/</u>	185	1.7	<u>2/</u> 1.1
Machinery and equipment	:	157	160	<u>1/</u>	161	1.9	<u>2/</u> .6
Agricultural machinery	:	144	145	<u>1/</u>	147	.7	<u>2/</u> 1.4
Metal and metal products	:	154	154		154	.0	.0
Steel mill products	:	188	188	<u>1/</u>	188	.0	<u>2/</u> .0
Construction materials	:	134	135	<u>1/</u>	135	.7	<u>2/</u> .0
Lumber and wood products	:	124	126	<u>1/</u>	125	1.6	<u>2/</u> -2.3
Nonmetallic minerals-structural	:	138	138	<u>1/</u>	138	.0	<u>2/</u> .7
Fuel, power and lighting	:	115	120		112	4.3	-6.7
Refined petroleum products	:	118	113	<u>1/</u>	112	- 4.2	<u>2/</u> -1.8
Rubber and rubber products	:	146	142		145	- 2.7	2.1
Chemicals and allied products	:	110	110		110	.0	.0
Hides, skins, and leather	:	108	119		112	10.2	5.9
Furniture and other household	:						
durables	:	124	123		124	-.8	.8

1/ February 1960.

2/ Change February 1960 from August 1959.

U.S. Department of Labor

FOREIGN DEVELOPMENTS

Foreign ReservesRise Substantially

Foreign gold and dollar holdings rose \$5.9 billion to \$42.6 billion during 1959, following a \$4.2 billion rise during 1958. Unlike the previous year, nearly half of the 1959 gain, \$2.9 billion, accrued to international institutions, largely reflecting increased subscriptions to the International Monetary Fund. The reserves of foreign countries rose \$3 billion, compared with \$4 billion in 1958. The reduced rate of increase reflected subscriptions to the enlarged IMF quotas, some accelerated repayments of U. S. and international loans, and net purchases of \$435 million of U. S. corporate securities.

The largest gains in gold and dollar holdings in 1959 were by Italy, France and the other industrial countries of continental Western Europe and by Japan. Raw material exporting countries were also able to improve their reserve positions as prices of their exports strengthened with the upsurge of industrial activity and the end of the textile recession. Major exceptions were Venezuela (due to lower petroleum receipts) and Cuba.

The high level of liquid gold and dollar assets of foreign countries makes possible the financing of an expanding volume of international trade and has been reflected in some relaxation of import and exchange controls. Similarly the expanded resources of the international agencies provides a reservoir of supplementary reserves which reduce the need for direct trade and financial controls by countries which may experience temporary balance of payments difficulties.

Of the total increase in foreign gold and dollar assets, a record \$5.1 billion resulted from transactions with the United States, including a \$1.4 billion subscription to the IMF. The remaining \$850 million rise in foreign assets represented purchases of gold from new production, the Soviet Union, and other sources.

U. S. Payments Deficit Rises in 1959

An outstanding feature of U. S. international transactions during 1959 was a reduction in the trade surplus to less than \$1 billion. During the previous 3 years merchandise exports exceeded imports by from \$3.3 to \$6 billion. In fact at mid-year there was a deficit in merchandise trade, the first since the Korean conflict. The deficit was due to a sharp rise in imports which began in mid-1958 with the end of the industrial recession in this country, and to failure of exports to recover from the decline experienced in 1958.

Imports reached their seasonally adjusted peak in the second quarter of 1959 when the U. S. merchandise balance showed a seasonally adjusted annual deficit of \$1.2 billion. After the second quarter, imports leveled off while exports which had been held back by certain temporary factors began their anticipated recovery. By the fourth quarter of 1959 exports were running at an annual rate of \$16.5 billion and imports at \$14.7 billion. Largely as a result of this trade improvement, the net loss of gold and dollars declined from an annual rate of \$4.8 billion in the second quarter to an annual rate of about \$2 billion in the fourth quarter.

During the first half of 1960 with world industrial production and trade setting new records, about another \$1 billion may be added to exports as a result of expanded shipments of cotton, jet planes, steel and steel products and machinery. Imports are expected to be somewhat lower than the high level achieved in the corresponding period of 1959. Not much

change is expected during the second half of 1960. Assuming that other transactions, on balance, remain about unchanged from 1959, the total balance of payments deficit in 1960 may be about \$2.5 billion. This compares with \$3.7 billion in 1959 and an average of about \$2 billion during 1952-58.

Another feature of the balance of payments in 1959 was the decline in the gold outflow. Gold purchases by foreign countries were less than a third as large as in 1958. Foreign holdings of dollar assets rose \$3 billion compared with \$1.1 billion in 1958. Preference for dollar assets by foreigners was due in part to increased working balances needed to finance the expanding volume of trade. Also, the relaxation of foreign exchange restrictions and relatively high interest rates in the U. S. attracted foreign investments into this country.

Table 6.--Free world gold and dollar assets, December 31, 1957 -
December 31, 1959 1/

Type of asset, and area	Dec. 31, 1957	Dec. 31, 1958	June 30, 1959	Dec. 31, 1959 <u>2/</u>
	Billion dollars	Billion dollars	Billion dollars	Billion dollars
Gold and liquid dollar holdings <u>3/</u>				
Canada	2.7	3.1	3.2	3.2
Continental Western Europe <u>4/</u>	14.8	17.6	18.6	19.4
United Kingdom <u>4/</u>	3.0	3.8	4.0	3.6
Other Sterling Area	1.0	1.1	1.0	1.1
Japan	.7	1.1	1.4	1.5
Latin American Republics	4.4	4.0	4.2	3.9
All other Countries	2.0	1.8	1.9	2.2
Total above	28.6	32.5	34.3	34.9
International agencies	2.7	2.9	4.7	5.6
Total all areas	31.3	35.4	39.0	40.5
U. S. Government Bonds and notes				
Foreign countries	1.2	1.0	1.2	1.4
International agencies	.2	.5	.5	.7
Total above	1.4	1.5	1.7	2.1
Total Gold and Dollar Assets	32.7	36.9	40.7	42.6

1/ The totals include about \$50 million in liquid dollar assets of the Communist bloc. 2/ Preliminary. 3/ Includes holdings of U. S. Government obligations with original maturities of less than one year. 4/ Includes dependencies.

Federal Reserve Board.

Table 7.--Balance of payments of the United States 1/, 1956-59

Item	1956	1957	1958	1959	1958		1959	
					Billions	Billions	Billions	Billions
	dollars	dollars	dollars	dollars	dollars	dollars	dollars	dollars
U. S. RECEIPTS								
Merchandise exports	17.3	19.3	16.2	16.2	8.2	8.0	7.7	8.5
Exports of services 2/	6.2	7.1	7.0	7.1	3.2	3.7	3.5	3.7
Repayment of Government loans	.5	.7	.6	1.0	.3	.3	.4	.6
Foreign long-term investments								
in U. S.	.5	.4	3/	.6	3/	3/	.3	.3
Unrecorded transactions, net	.7	.9	.4	.8	.3	.1	.5	.3
Total	25.2	28.4	24.3	25.7	12.1	12.2	12.4	13.3
U. S. DISBURSEMENTS								
Merchandise imports	12.8	13.3	12.9	15.3	6.3	6.6	7.5	7.8
Military expenditures abroad	2.9	3.1	3.4	3.1	1.7	1.7	1.6	1.5
Imports of other services 2/	4.1	4.3	4.6	5.0	2.1	2.5	2.3	2.7
Private capital outflow	3.0	3.2	2.8	2.1	1.7	1.2	1.1	1.0
Government net grants, and new loans and credits 4/	2.8	3.2	3.2	3.0	1.6	1.6	1.6	1.4
Remittances, pensions, etc.	.6	.7	.7	.8	.3	.3	.4	.4
Total	26.2	27.8	27.7	29.4	13.8	13.9	14.5	14.9
SURPLUS or DEFICIT (-) in U. S.								
Balance of payments	-1.0	.5	-3.4	-3.7	-1.6	-1.7	-2.1	-1.6
U. S. gold sales [purchases (-) 14/	-.3	-.8	2.3	.7	1.4	.8	.5	.2
Increase in foreign liquid dollar assets 4/	1.3	.3	1.1	3.0	.2	.9	1.6	1.4

1/ Including military grant aid and exports financed thereby.

2/ Transportation, travel, income on investments, etc.

3/ Less than \$50 million.

4/ Excludes U. S. capital contribution of \$1,375 million to International Monetary Fund in the first half of 1959, of which \$344 million was in gold.

Department of Commerce.

In addition, the U. S. balance of payments deficit was largest with those countries which do not customarily convert their holdings into gold.

The attractiveness of relative yields here and abroad, as well as the general course of the U. S. economy, will determine in part how much of the reduced 1960 deficit will be reflected in gold sales.

Agricultural Exports Rise Volume at New Record

Agricultural exports during the fiscal year ending June 30, 1960 are expected to total about \$4.5 billion. This is about a half billion dollars higher than was estimated last fall, and \$800 million or 21 percent above actual exports in 1958-59. The higher estimate results mainly from an upward revision of cotton exports, which are now expected to total about $6\frac{1}{2}$ million bales compared with 3.1 million in fiscal year 1958-59. Large foreign currency sales are also expected to boost wheat and flour exports above both earlier estimates and last year. Sales for foreign currencies, donations and barter will represent approximately the same proportion as in 1958-59.

Agricultural exports of \$4.5 billion would be second largest to the record \$4.7 billion shipped in 1956-57. In terms of volume, agricultural exports during 1959-60 will rise about a fourth from last year and may well be a new record. The volume in July-December 1959 was 19 percent above a year earlier, with most commodities, except for wheat, tobacco and cotton substantially above a year earlier. However, prices averaged well below a year earlier, and the value was up only 12 percent. For the year as a whole, the increase in value will more closely reflect the increase in volume due to a firming of export values for cotton and some other commodities and no further declines for the bulk of agricultural exports.

The rising trend of agricultural exports though partly offset by grants and loans, will contribute to the expected further improvement in the balance of payments. Thus the sharp rise in cotton exports, most of which will be sold for dollars may add at least \$400 million to the U. S. export surplus during the first half of 1960. For the second half of 1960, agricultural exports are not expected to vary greatly from the \$2.2 billion recorded during July-December 1959. The total of about \$4.5 billion for calendar year 1960 would be 14 percent above 1959 and about equal to the record set in 1957.

The export outlook by commodities for fiscal year 1959-60 is as follows:

Wheat and flour --With foreign production in 1959-60 estimated at only slightly below last year's record, and greater competition in the European market, U. S. dollar sales for export will decline. Nevertheless exports will total 475 million bushels, about 30 million above last year, due to large sales for foreign currency under P. L. 480. Agreements with India, Pakistan and Poland made during the current year are especially large. With P. L. 480, Title I, shipments considerably above last year's 230 million bushels, exports under special government programs will exceed last year's proportion of 78 percent. The payment-in-kind program is applicable to all wheat exports.

Rice --A substantial increase in exports is expected even though foreign production is trending upward and sales to Cuba are below last year. U. S. payments-in-kind programs and shipments against P. L. 480, Title I agreements will be largely responsible for 1959-60 exports of 19-20 million cwt., milled basis, compared with 14 million during 1958-59. About half of last year's total represented dollar sales.

Feed grains --Exports are expected to exceed last year's record 12.5 million short tons. U. S. exports have been rising with the expanding livestock population abroad. In addition the European drought was a major factor in pushing exports during July-December 1959 to 15 percent above the previous year. During January-June 1960 exports are likely to be only slightly above the corresponding period a year earlier. With the exception of oats which are in short supply, exports will be subject to payments-in-kind.

Tobacco --Foreign production of U. S. type tobaccos has been trending upward, and Rhodesia-Nyasaland, our major competitor, is likely to produce another record crop. Furthermore, with U. S. prices for medium and lower grades generally higher than for similar tobacco produced abroad, and with numerous discriminatory trade restrictions still in effect, exports may not reach the 473 million pounds exported in 1958-59. For the first half of the fiscal year, the decline was about 3 percent; exports to major purchasers of high quality tobacco take place during this period.

Cotton --Generally expanded demand and smaller foreign supplies are expected to boost exports to about 6.5 million bales compared with 3.1 million during 1958-59. During July-December 1959, when prices were generally lower than a year earlier, exports rose 32 percent. The big rise in exports, 3 times the previous year's level, is expected during January-June. In recent months unit export values have risen substantially.

Fats and Oils --Another record year for fats and oils is in prospect, with total exports expected to reach nearly 2.7 million short tons on an oil equivalent basis, compared with 2.1 million during 1958-59. The increase will be about evenly divided between animal fats and oilseeds-and-vegetable oils. Soybean exports, spurred by a drought induced crusher demand, will total about 120 million bushels, compared with 103 million last year. The drought also contributed to raising exports of oil cake and meal during July-December 1959 to a level higher than that achieved during the entire previous fiscal year. High foreign demand and relatively low U. S. prices are aiding exports of lard, tallow and vegetable oils.

AGRICULTURAL PRICES, PRODUCTION AND SUPPLIES

Recovery In Prices
to Farmers

Prices to farmers trended downward throughout 1959 but made a strong recovery in the first three months of this year. The index of prices received reached a low of 228 (1910-14=100) in December and was up to 240 in March. The average for the first quarter was 4 percent below a year earlier but 2 percent above the last quarter of 1959. Heavy marketings of cattle and hogs were responsible for much of the slump in average prices in the last 2 months of 1959. The sharp pickup in prices of these commodities, partly seasonal, contributed materially to the price recovery of recent months. Livestock prices so far in 1960 have averaged 7 percent below the same period of 1959 but close to 2 percent higher than during last October-December. Much of the improvement took place in early March when severe weather caused a sharp cut in supplies of meat animals and eggs. Since then cattle prices have eased some but hogs, poultry and eggs have shown further improvement.

Improved Outlook
For Hogs and Eggs

Except for some seasonal declines this spring, and again in the fall when the spring pig crop comes to market, hog prices should continue to improve for the rest of this year. Farmers' intentions to raise about 11 percent fewer hogs this spring than last, reported in a Government survey last December 1, were reaffirmed in an early March survey. These indicate a substantially smaller volume of hog marketings this fall than last and, together with a continuing strong demand for pork, points to considerably higher hog prices during the peak period of marketings at the close of this year than in the last weeks of 1959.

For eggs, a reduced supply and further improvement in prices are also in prospect for the remainder of the year. To mid-April egg prices have retained the sharp advance they made in March when bad weather drastically cut production and marketings. The price trend into the fall will likely be further upward. Hatchings of egg-type chicks up to April 1 this year were 37 percent below the same period last year. This cutback should significantly reduce marketings this fall.

Broiler slaughter so far this year is about the same as last year, but will decline in the next few weeks because recent hatchings have been lower than last year. This suggests firmer prices into this summer than in 1959. Later in the year production may exceed the low level of the last quarter of 1959. Marketings of cattle from the large herds built up during the past 2 years may begin to weaken prices relative to a year earlier by the end of this year. Milk output will probably increase this year with prices averaging near support levels and about the same as in 1959.

Crop Supplies Still Heavy

Prices received for crops so far this year have averaged about 1 percent above January-March last year. As in recent years, a heavy supply situation dominates the crop picture, particularly for food and feed grains. The 1960 marketing year is expected to begin with record carryovers of wheat and corn and there is little probability of their being significantly reduced in the 1960-61 year. Cotton stocks have been worked down materially in the past few years but are still at a high level.

Acreage planted to crops this year may be down slightly from 1959; the March 1 Planting Intentions Report indicated a slightly smaller acreage overall. About 6.2 million more acres will be in the Conservation Reserve of the Soil Bank Program this year than last. A larger number of cotton growers are under the "Choice B" plan which permits up to a 40 percent expansion in their cotton acreage in return for lower price supports. Acreage sown to all feed grains combined may be down a little; planting of oats and barley may be significantly smaller but corn and sorghum grains will be about the same as last year. Spring wheat acreage is down but potatoes and soybeans are larger.

It is too early in the season to estimate what yields will be this year. If the long-term uptrend in yields per acre prevails, crop production would be close to the 1959 level, despite a small decline in planned acreage. With total acreage close to last year's, any significant departure from long-run average weather in important growing areas could bring about a large change in crop output this year compared with last.

The surplus position of some major commodities at the beginning of this year plus the prospect for no substantial reduction in output this year do not point to any significant price improvement among the crops this year. In addition, support prices are somewhat lower for the 1960 cotton, corn and wheat crops.

Farm Costs
Continue to Rise

Prices of commodities purchased by the farm sector from the rest of the economy for use in farm production and living continue to rise at a rate which more than offsets the decline in prices of items purchased from within the farm sector.

This pattern, which has persisted in recent years through business recession and recovery alike, has resulted in a slow uptrend in the Department of Agriculture's index of prices paid by farmers. The index of prices paid for production items and the index of family living items both averaged about 1 percent higher in 1959 than in 1958. Generally weak prices for purchased foods have been more than offset by rising prices for most other family living

Table 8.--Comparison of average prices received for selected commodities with parity prices and support prices for 1959 and 1960 crops

Commodity	Unit	Season price		Support price		March 15, 1960	
		average					
		1958-59	1959-60	1959 crops	1960 crops	Average price received	Parity price
Tobacco:							
Flue-cured	Ct. per lb.	57.7	58.2	55.5	55.5	1/	63.6
Burley	Ct. per lb.	66.1	60.4	57.2	57.2	1/	66.0
Food grains:							
Wheat	Dol. per bu.	1.75	1.75	1.81	1.77	1.82	2.38
Rye	Dol. per bu.	1.02	1.02	.90	.90	.883	1.49
Rice (rough)	Dol. per cwt.	4.67	4.54	4.38	4.36	4.82	5.94
Feed grains:							
Corn	Dol. per bu.	1.12	1.07	1.12	1.06	.999	1.64
Oats	Dol. per bu.	.579	.642	.50	.50	.676	.843
Barley	Dol. per bu.	.901	.871	.77	.77	.839	1.27
Grain sorghums	Dol. per cwt.	1.78	1.59	1.52	1.52	1.53	2.50
Oilseeds:							
Cottonseed	Dol. per ton	43.80	38.90	38.00	38.00	39.80	67.20
Soybeans	Dol. per bu.	2.00	2.02	1.85	1.85	1.99	2.92
Peanuts	Ct. per lb.	10.6	9.53	9.70	10.1	10.8	12.9
Flaxseed	Dol. per bu.	2.69	3.04	2.38	2.38	2.81	3.84
Dry edible beans	Dol. per cwt.	6.72	6.82	5.35	5.35	7.41	8.88
Cotton							
American upland	Ct. per lb.	33.09	2/32.00	30.40	3/28.97	28.23	38.76
Wool (grease basis)	Ct. per lb.	36.4	42.8	62.0	62.0	43.2	74.4

1/ Not available.

2/ Average price to December 1, 1959.

3/ Purchase price for Choice A cotton. Choice B loan rate is 23.18 cents.

goods over the past year. Prices of production goods have remained more stable over the past 12 months. Declines in feed, feeder livestock and fertilizer prices offset increases for seed and most of the industrial items, particularly farm machinery, motor vehicles and building and fencing materials. Farm wage rates, farm real estate taxes and interest charges per acre have risen about 4, 6, and 8 percent, respectively, over the past year.

Farm cost rates will, in all likelihood, continue to rise for the remainder of 1960, at least. Feed and feeder livestock will probably show some declines but most other items, including interest, taxes, and wage costs are likely to continue to trend upward. Food prices, too, may average higher in 1960, in contrast to the decline in the previous year.

FARM INCOME

Cash receipts from farm marketings totaled \$6.9 billion in the first quarter of 1960, 5 percent below a year earlier. The volume of marketings was down only slightly, but prices averaged more than 4 percent lower. Livestock receipts amounted to \$4.3 billion, down 3 percent from the first quarter of 1959. Lower prices for all meat animals and eggs more than offset larger marketings of cattle, hogs, milk, and turkeys. Crop receipts of \$2.6 billion were about 8 percent less than the corresponding period in 1959, with smaller marketings of grains (except corn), tobacco, and soybeans accounting for most of the decline. Crop prices averaged slightly higher than during the first quarter of 1959.

Cash receipts in February, at \$2.1 billion, were about 7 percent below a year earlier. Livestock and products receipts totaled \$1.4 billion and crop receipts \$0.7 billion, 2 and 14 percent, respectively, below February 1959. Lower prices for hogs and eggs accounted for most of the decline in livestock receipts, while smaller marketings of grain and soybeans were largely responsible for the lower receipts from crops.

The preliminary estimate of farmers' cash receipts in March is \$2.1 billion, down less than 1 percent from March 1959. Livestock and livestock product receipts are tentatively estimated at \$1.5 billion, and crop receipts at \$0.6 billion. Increased marketings about offset lower prices for livestock, while smaller marketings of wheat contributed most to a 4 percent decline in cash receipts from crops.

LIVESTOCK AND MEAT

A prospective slight reduction in meat supplies per person and a continuing strong demand are the basis for the relatively favorable outlook for meat animal prices during 1960. For the year cattle and calf prices will probably average a little lower than in 1959 but hog prices will be notably higher. Sheep and lamb prices will likely average close to a year earlier.

Cattle slaughter in January-March was about 12 percent larger than a year ago, with much of the gain in fed cattle. Cow slaughter has been running a little above a year before while calf slaughter was up 3 percent. Prices to farmers for beef cattle in March at \$21.60 per 100 pounds were \$1.70 below last March and calf prices were down \$2.80.

During the next few months, marketings of fed cattle will be large and prices are expected to ease off from present levels. Price declines will likely be similar to those of the past 2 years when fed steers declined \$1.00-1.50 per 100 pounds during April-July. Cattle feeders in 21 States reported 8 percent more cattle on feed April 1 than last April, and stated intentions to market 53 percent of these in April-June. Should they do so, fed cattle marketings would be about a fifth larger than in the second quarter of 1959.

Slaughter of grass cattle this spring probably will not show much of a gain over last spring as the demand for cattle to put on feed (feeders) and on new grass (stockers) is expected to continue strong. Prices of these classes are probably near a seasonal high but will hold up well for several months.

Hog slaughter the first 3 months this year was above a year earlier and hog prices were below the corresponding months in 1959. However, in recent weeks slaughter has been near or below a year earlier. The average price of barrows and gilts at 8 markets in mid-April was \$16.03 per 100 pounds, up \$4.50 from last December's low and \$.17 above a year earlier.

Hog slaughter will decline seasonally in the months ahead and by mid-1960 will be considerably below year-earlier levels as the reduction in late fall and early spring pigs becomes evident at the market. In March farmers in 10 of the Corn Belt States reported that they had cut December-February sow farrowings by 19 percent. As these pigs account for most of the pork produced in July-September, hog prices this summer will be sharply higher than last summer. Prices this fall will decline seasonally but will continue significantly above last fall.

Sheep and lamb slaughter during the next few months will probably be near that of the first quarter, but a little larger than a year earlier. The early lamb crop this year is about 2 percent larger than last, though growth and development of early lambs generally has been slower than normal.

Prices to farmers for lambs rose above a year earlier in February and have continued a little above year-earlier prices since then. Choice slaughter lambs at Omaha by mid-April were \$2.00 per 100 pounds above January and \$.14 above a year ago. Some further rise is likely this spring but last year's price rise is not likely to be duplicated. The average price to farmers for lambs gained \$2.10 per 100 pounds from April to June last spring.

Supplies of meat for consumption in 1960 may decline a pound or so from the 159.6 pounds consumed per person in 1959. The decline in pork will outweigh gains in other meats.

DAIRY PRODUCTS

Prices to farmers for milk and butterfat in 1960 will be approximately the same as in the past 2 years. Price-support levels for the marketing year starting April 1 are unchanged from the preceding two years, and supplies of milk products promise to be large enough to make prices average near support levels. The volume of milk sold by farmers probably will reach a new record this year, and cash receipts from the sale of dairy products probably will exceed the record of \$4,634 million of 1957; they were \$4,610 million in 1959. However, dairymen's expenses also are likely to rise. Feed is the only major category for which prices are likely to be lower, but a larger volume will be used.

The rate of decline in the number of milk cows in 1958 was larger than in any year since 1948, but a decided let up in rate of decline occurred during 1959, continuing into early 1960. Rate of production per cow was depressed by adverse weather conditions in early 1960 and total milk flow on a dairy basis was only slightly larger than a year earlier. Production per cow probably will show nearer the usual increase over a year earlier from later this spring into next fall, giving a larger total milk output. Milk production in 1959 totaled 124.4 billion pounds, down a half billion pounds from 1958, six-tenths of which was accounted for by the State of Wisconsin.

The pattern of milk utilization, as usual, changed little from a year earlier in 1959. In the past decade, however, a significant rise has occurred in the proportion used in fluid form and in ice cream. The biggest decline occurred for evaporated milk, the consumption of which has dropped one-third in the past decade.

An unusual development of recent months was a rise in output of butter relative to cheese, even though there was a significantly higher price paid for raw milk by cheese plants than by butter nonfat dry milk plants. The wholesale cheese price continued well above the equivalent of support levels through March and practically no cheese was sold to CCC during the first quarter of 1960. Sales of butter, on the other hand, were considerably larger than a year earlier.

For the marketing year as a whole the quantity of milkfat sold to CCC was about the same as a year earlier--less butter but more cheese. Estimated deliveries of nonfat dry milk to the USDA in 1959-60 totaled 857 million pounds compared with 826 million a year earlier. Sales of solids-not-fat in all products took 7.5 percent of production in the marketing year just closed compared with 7.2 percent a year earlier. Sales of milkfat accounted for 2.8 percent of production this marketing year compared with 3.0 percent a year earlier. The price support purchases of dairy products together with the fluid milk used by military personnel, veterans' hospitals, Coast Guard, Merchant Marine Academy and school children under the special milk programs, accounted for a total of 4.3 percent of milkfat and 8.5 percent of solids-not-fat production in 1959-60. Per capita production of milk has declined an

average of 1 percent per year for the past 15 years. This was slightly greater than the decline in per capita consumption and a significant surplus still exists.

POULTRY AND EGGS

Terminal market egg prices in early April were the highest since September, except on the West Coast, where they were the highest since December. Most egg prices rose sharply in early March when storms covered the eastern two-thirds of the United States, receded slightly about the middle of the month, and then rose further in the first half of April, partly in anticipation of Easter demands. In mid-March, the U. S. average price received by farmers was 32.3 cents per dozen, 3.4 cents above a month earlier.

The recent price run-up has been sharp enough not only to cut off the flow of shell eggs to storage, but to cause the withdrawal of eggs that had been put in earlier. The net withdrawal of 165,000 cases during March was contrary to seasonal expectations. Except for 1958 storage stocks of shell eggs increased in every March since records were begun. The March price level for eggs also discouraged preparation of frozen egg for storage, though this was affected less than shell egg storage.

In addition to the effects of storms and floods upon egg production and transportation, supplies are also being held down by reductions from last year in the size of the national laying flock. On April 1, about 4 percent fewer layers were on hand than a year earlier. Rate of lay on that date was 5 percent below last April 1.

Later this year the egg laying flock is likely to decline even further below last year and very pronounced seasonal egg price rise is likely in the summer and fall of 1960. Reason: To April 1, hatchings of egg-type chicks in the United States were down 37 percent from last year and April 1 eggs in incubators, an indication of the April hatch, were down 27 percent.

Hatches of broiler chicks in recent weeks also have been below last year. Broiler prices since the end of November 1959, have been at a level that would be expected to induce increases in chick placements. In the past month or so hatchery output has been below last year by 4 to 7 percent, but in early April eggs in incubators had climbed slightly above a year ago. Credit limitations following unsatisfactory prices in most of 1959 are currently limiting production, but later on the output may also be restricted by the supply of hatching eggs. For the past 15 months, sales of broiler breeder chicks were 15 percent below the corresponding period a year earlier.

These factors, plus a cutback in hog production and the expectation of usual hot-weather increases in demand for frying chicken, are likely to sustain broiler prices through the summer at levels close to or above the 18.1 cent average of mid-March.

Sales of turkeys from farms are at a seasonally low level. The mid-March average price, 26.5 cents per pound, was 2.9 cents above the year before. Hatchings of poults so far in 1960 have been 13 percent above last year, with increases in heavy type birds of 29 percent more than offsetting a decline of 51 percent in Beltsvilles.

OILSEEDS, FATS AND OILS

Supplies of food fats and oils will be about as large as last year during the remainder of the current marketing year which ends September 30. Exports and domestic use will continue high and likely will set new records for the entire 1959-60 marketing year. Carryover stocks next October 1 are expected to be about as large as last year, as reduced stocks of soybeans (on an oil equivalent basis) probably will about offset the anticipated increase in stocks of edible vegetable oils.

Exports of food fats and oils (including the oil equivalent of soybeans) during October-February 1959-60 totaled about 1.6 billion pounds, up one-third from the 1.2 billion pounds the year before. Edible oils (cottonseed and soybean oils) and lard exports were up over 40 percent and soybeans more than 20 percent. Total exports of food fats and oils for the entire 1959-60 marketing year likely will total around 3.7 billion pounds compared with the record 3.3 billion pounds a year earlier. A drop in exports of edible oils under P.L. 480 this year is expected to be compensated by a sharp rise in dollar shipments. The total is likely to be at least as high as the 1,334 million pounds exported in 1958-59.

Current prospects indicate that prices of lard and cottonseed oil during April-September 1960 likely will average a little higher than in the first half of the marketing year but still continue below the same months of 1959. The strengthening in cottonseed oil and lard prices because of seasonally declining supplies will help maintain soybean oil prices during the last half of the 1959-60 marketing year. Furthermore, somewhat more favorable soybean oil export prospects during the last half of the 1959-60 season as compared with the first half will provide some strength to bean oil prices.

Soybean crushings for March 1960 are estimated at about 36 million bushels, up around 5 million bushels from February and about the same as March 1959. Crushings during October-March 1959-60 are placed at about 206 million bushels, only 2 million below the first half of the 1958-59 season. Continuing strong demand for soybean oil and meal during the last half of the marketing year probably will result in a total 1959-60 soybean grind of about 400 million bushels, not greatly different from last year.

Soybean exports in 1959-60 are likely to set a new record of about 125 million bushels compared with 110 million last year. Most of the increase anticipated for the entire 1959-60 marketing year has occurred. Based in part on inspection data, exports from October 1, 1959 through mid-April 1960 totaled 76 million bushels, 13 million above the same period the previous year. The increase is due mainly to larger shipments to Western Europe where the strong demand for both oil and meal makes soybeans attractive to crushers.

Inedible tallow and grease production during 1959-60 is expected to total a record 3.4 million pounds up around 8 percent from last year. Output during October-February 1959-60 totaled 1,490 million pounds, up about 170 million pounds from a year ago. Exports so far this season are running 48 percent

ahead of last year and are expected to set a new record of 1.6 billion pounds for the entire 1959-60 year. Domestic use may total about 1.8 billion pounds or about the same as the past 3 years. Low prices and record availabilities are enabling the United States to gain a larger share of the world tallow market.

Prices of inedible tallow (prime, tank cars, Chicago) dropped from 6.1 cents per pound in October 1959 to about 5.2 cents in March, 1.8 cents below March 1959. Demand has been strong but output has increased much more than domestic and foreign markets could absorb and stocks increased. The price outlook for the rest of 1960 indicates a relatively low level of inedible tallow prices since the cattle slaughter is likely to be up moderately and stocks are large. The tallow industry will be plagued with low prices for a prolonged period and no real relief is probable until livestock slaughter turns downward again.

FEED

Total supplies of feed grains and other concentrates may increase again in 1960-61 to a new record high, a little above the 1959-60 level, if early spring prospects materialize. Farmers are planning a slightly smaller acreage of feed grains and with a normal growing season, total production would be a little below the record 1959 output of 166 million tons. But, the carryover of feed grains is expected to be around 10 million tons larger than last year. Including byproduct feeds, a total feed concentrate supply of around 270 million tons is in prospect, 3 percent larger than in 1959-60.

Farmers will plant about 2 million acres less to feed crops in 1960 than they did last year, with most of the cut in oats, if they carry out their March 1 planting intentions. With a normal growing season, a record corn supply of over 6.0 billion bushels appears likely. The grain sorghum supply may again total around 1.1 billion bushels, while smaller supplies of oats and barley than last year would be expected. Seeding of oats and barley in the Midwest has been delayed this spring by heavy snows followed by rain and floods, which could affect the size of the 1960 crop, as well as the time of maturity. Farmers probably will find it necessary to divert some of the acreage they had planned for these crops to other crops such as corn, sorghum and soybeans, which are planted later in the season.

Prices of feed grains and most of the byproduct feeds have advanced during the past month, but feed prices continue generally below those of a year earlier. During January-March prices received by farmers for feed grains averaged 4 percent lower than in the first quarter of 1959 and high-protein feed prices, wholesale, averaged about 9 percent lower. Hay prices, on the other hand, have averaged 17 percent higher so far during the 1959-60 feeding year than a year earlier, reflecting the smaller supplies available this year.

With a favorable growing season this year, and with reduced production of hogs and poultry in prospect, feed grain prices would be expected to continue a little lower than a year earlier this summer and fall. The national average price support for 1960 corn has been announced at \$1.06 per bushel, 6 cents lower than in 1959, while support prices for the other feed grains will remain at the 1959 levels. With another short supply of oats in prospect, oats prices may continue high in relation to corn and other feed grains in the 1960-61 season. Hay prices also will be influenced by prospects for a smaller total supply in 1960-61. Smaller carryover stocks are in prospect and farmers plan to harvest a slightly smaller acreage than in 1959.

Farmers had placed 443 million bushels of 1959-crop corn under price support through March, substantially more than during the same period of the past 2 years. Much smaller quantities of 1959-crop oats, barley and sorghum grain, however, were placed under price support than in 1958. A total of 16.7 million tons of the four feed grains had been placed under price support through March, compared to 21 million tons a year earlier. While the total quantity of corn placed under price support may set a new record, the total tonnage of the four feed grains is expected to be somewhat below the high levels reached in 1957 and 1958.

WHEAT

The 1960 winter wheat crop was estimated as of April 1 at 977 million bushels. The first estimate of spring wheat will be made June 10, but if growers carry out their seeding intentions (12.8 million acres) and yields per seeded acre equal the 1955-59 average, an all spring wheat crop of about 230 million bushels would be produced. This, together with the estimated winter crop, would total about 1,210 million bushels. A crop of this size would be 7 percent above the 1,128 million-bushel crop in 1959 and 11 percent above the 1949-58 average of 1,092 million.

On the basis of estimates of domestic disappearance at about 620 million bushels and exports of 475 million, estimated the the same as for 1959-60, the carryover July 1, 1961 would be up from the estimated July 1, 1960 carryover of 1,319 million bushels.

The 977 million-bushel estimate for the winter wheat crop is 51 million bushels above the December 1 forecast, nearly 6 percent more than the 1959 crop and 17 percent above average. Increases since December have been largely confined to the Central and Southern Great Plains and more than offset reduced prospects in the South Atlantic and South Central States other than Kentucky, Oklahoma and Texas.

Cash wheat prices at terminals in early April generally were near or at the high for the season to date. On April 19, while prices at Kansas City were about 5 cents below mid-March, those at Minneapolis were 3 cents above and at St. Louis and Portland 6 cents above. Compared with the lows for the marketing year to date, prices for the dominant class and grade at the principal markets were up as follows: St. Louis, 29 cents; Kansas City and Portland, 21 cents and Minneapolis, 11 cents.

On April 19, terminal prices were around support levels, with No. 1 Soft White at Portland at \$2.11, about 8 cents above; No. 2 Soft Red at St. Louis at \$2.15, about 4 cents above, No. 2 Hard Red Winter at Kansas City at \$2.08, about 3 cents below and No. 1 Dark Northern Spring at Minneapolis at \$2.19 at about the support. Prices at many country points have been higher relative to the support than at terminals. As a result of the relatively high prices, redemptions have been large.

FRUIT

Continued strong consumer demand for fruit is in prospect for this spring and summer. Supplies of most fresh fruits, until fruit from the 1960 deciduous crop become available in late spring, are expected to continue lighter than in the spring of 1959. But supplies of most processed fruits from the generally increased 1959 packs probably will continue heavier.

Prolonged cold weather in many States during late winter and early spring delayed the blossoming of early-season fruits such as peaches. Because of delayed bud development and bloom, damage from late frosts should be reduced. Supplies of some early-season deciduous fruits may become available a little later this spring than last year. The season is not yet far enough advanced to give a good indication of the size of crops. However, the April 1 condition of the peach crop in the Southern States was about the same as the above-average condition in 1959. In California, most fruits were in or past full bloom in late March and showing a satisfactory fruit set by April 1.

Production of strawberries in the early-spring States (Louisiana, Alabama and Texas) in 1960 is expected to be about 3 percent smaller than the below-average crop in 1959. Cold, wet weather delayed development and harvest of the crops in these States. In Louisiana, the heaviest producer of these States, harvest normally starts in late March and shipments to fresh markets this year will be light until the last half of April. Fresh-market shipments from California, in which harvest extends until late fall, started in March. Prospective combined 1960 acreage in the mid-spring States, which include California, and the late-spring States is about 3 percent less than that harvested in 1959. Cold-storage stocks of frozen strawberries on April 1, 1960 were about 7 percent smaller than a year earlier.

Cold-storage stocks of both apples and pears were considerably smaller on April 1, 1960 than a year earlier. Movement of these fruits from storage is expected to be completed earlier this year than last. During early April, shipping-point prices for New York McIntosh apples from controlled atmosphere storage tended to hold steady at levels a little under a year earlier. In Washington, where stocks of all varieties are much smaller than a year ago, prices for Winesap declined a little, those for Red Delicious held steady. But prices for both varieties remained somewhat above a year earlier. Auction prices for D'Anjou pears declined a little during late March and early April but continued above year-earlier levels.

In early April, remaining supplies of Florida oranges were moderately larger than at the same time in 1959, the result mainly of a heavier crop of Valencias. But remaining supplies of California oranges and Florida grapefruit were much smaller than those of California lemons were moderately smaller. The 1959-60 crop of Florida grapefruit is 12 percent smaller than the 1958-59 crop and utilization has been about as large as last season, pointing to an earlier end of supplies than in the spring of 1959. In California, total production of oranges is down 20 percent from 1958-59 and utilization is a little less than a year ago. Lemon production is about the same as in 1958-59 but utilization is up because of early maturity. During March and early April, shipping-point prices for Florida oranges continued lower, those for California oranges higher, than in the same period of 1959. Prices for Florida grapefruit tended to increase during late March, reaching levels considerably above a year earlier. Auction prices for lemons in early April averaged below a year ago.

Utilization of Florida oranges for making frozen concentrate was seasonally light during March, but increased in April as the Valencia crop ripened. Output of frozen concentrate by April 2 of the 1959-60 season was over 40 million gallons, down 5 percent from a year earlier. Although movement from packers was substantially larger than a year earlier, it was not enough larger to offset the heavy increase in carryover last fall, leaving stocks on April 2 about 20 percent above those of that date in 1959. Output of frozen grapefruit concentrate was down sharply from 1958-59 and April 2 stocks were down 26 percent. The packs of the major canned single-strength citrus juices in Florida to April 2 of the 1959-60 season were substantially larger than the comparable 1958-59 packs. Even though movement was up moderately, stocks on April 2 were up considerably.

COMMERCIAL VEGETABLES

For Fresh Market

Production of commercial vegetables which comprises about three-fourths of the spring tonnage, excluding melons, was estimated as of April 1 to be moderately smaller than that of last year, and slightly below the 1949-58 average. Cold, wet weather delayed planting and development of crops in the Southeast, and some Texas crops were damaged by the late February freeze. But growth of vegetables in California and Arizona has been stimulated by above normal temperatures.

Among the more important vegetables, substantially larger production than last year is indicated for early spring snap beans and onions and for spring celery and green peppers. Also, prospective tonnage is a little larger for early spring cauliflower and sweet corn, and spring spinach. But substantially smaller tonnages are indicated for early spring broccoli, lettuce and tomatoes, and a slightly smaller tonnage for early spring cabbage and asparagus. Overall supplies of fresh vegetables are expected to increase rapidly during the next few weeks, and prices are likely to continue their

seasonal decline. Replanting and delayed growth as a result of adverse weather in some areas may result in more than the usual overlap of marketings among important areas.

Although production estimates are not available, indicated acreage of watermelons for late spring harvest is the same as a year ago, while cabbage is 5 and onions 13 percent smaller. Intentions reports indicate that growers plan to plant 2 percent more acreage to cabbage for early summer harvest than in 1959, and 7 percent more watermelons. Growers also report intentions to plant 8 percent more acreage of onions for early summer harvest than last year, but 1 percent less acreage for late summer harvest.

Commercial Processing

Supplies of canned vegetables are substantially smaller than the large supplies of a year ago. Recent canners holdings of snap beans, green peas, asparagus, lima beans and beets were materially smaller than a year earlier, and holdings of sauerkraut much smaller. Remaining supplies of tomatoes, tomato juice, and tomato products are also significantly smaller than a year ago. But except for sauerkraut, which is in a tight position, remaining supplies of most other major items are above the 1949-58 average. April 1 stocks of frozen vegetables were down 5 percent from a year earlier.

Early reports indicate that canners will aim for a pack close to that of last year. The frozen pack probably will be somewhat larger than in 1959, continuing the growth in this industry. Production of winter and early spring spinach for processing amounted to 72,550 tons about 5 percent more than in 1959. Processors also reported intentions to increase acreage of green peas for canning 2 percent and freezing 10 percent, snap beans for canning 4 percent and freezing 14 percent, green lima beans for canning 6 percent and freezing 20 percent, and contract acreage of cabbage for kraut 14 percent. Intended acreage of sweet corn for freezing is 12 percent above 1959 but canning is down 5 percent. Prospective acreage of tomatoes is down 1 percent. Should yields of various crops be near the average of recent years, total production of these 7 crops on the indicated acreage would be about the same as last year, but materially above the 1949-58 average.

POTATOES AND SWEETPOTATOES

Supplies of potatoes available for the spring as a whole probably will be a little smaller than last spring. Stocks of fall crop potatoes on March 1 amounted to 56 million hundredweight, 6 million less than March 1, 1959. Production of potatoes for early spring harvest is expected to be up about 9 percent. Also, indicated acreage for late spring harvest is up 11 percent from last year. Plantings and development of the crop in the Southeast has been delayed by cold, wet weather. But crops in California and Arizona which typically produce about two-thirds of the late spring tonnage are in good condition.

Because of generally late crops in the Southeast with the prospect of more than the usual overlap of harvests between important producing areas, prices to growers in late spring-early summer probably will average below the relatively high levels of a year earlier.

Intentions reports indicate that growers plan to plant slightly more acreage to potatoes than last year for both the early summer crop, and the late summer and fall crops, combined.

Supplies of sweetpotatoes continue to weigh on markets, with prices averaging materially below those of a year ago. The Department of Agriculture initiated a purchase program in New Jersey and North Carolina in late February, and through April 15 had purchased about 29,000 hundredweight. Sweetpotatoes purchased are distributed to non-profit school lunch programs and other eligible outlets.

March 1 intentions reports indicated a general and substantial cutback in acreage from the 1959 level. If farmers plant close to the intended acreage--16 percent less than last year--supplies of sweetpotatoes in the coming season are likely to be substantially smaller than in the current season. Such a cut in production probably would result in prices to growers materially above the low levels of the current season.

COTTON

Market prices for cotton have been stable in recent months, but below a year earlier. From January 28 through April 19 the average 14 spot market prices for Middling 1-inch cotton has varied only .2 cent per pound. The monthly averages in February and March 1960 were 32.01 and 32.04 cents per pound, compared with 34.28 and 34.37 cents a year earlier. The average price received by farmers in mid-March of 28.23 cents per pound was about 0.15 cents per pound higher than the mid-February but 2.33 cents below that of a year earlier.

Exports of cotton during February totaled about 839,400 running bales, the largest for any February since 1932. The total for the first 7 months of the 1959-60 marketing year (August-February) was approximately 4,048,000 bales. This compares with about 1,647,000 for the same period a year earlier and was the largest export for this period since 1956-57. Registrations for exports under the payment-in-kind program during the 1959-60 marketing year were about 6.3 million bales as of April 15, 1960.

Domestic mill consumption of cotton has been running at a rate of about 9 million bales for the 1959-60 marketing year. This will be an increase of about 300,000 bales over the 1958-59 season. The ratio of stocks of cotton broadwoven goods at mills to unfilled orders for broadwoven goods has been relatively low for many months. At the end of February the seasonally adjusted ratio was about the same as at the end of January, 0.19. This compares with 0.33 in February 1959.

The average mill margins for the amount of fabric made from a pound of cotton (for 20 constructions of gray goods) in March was 34.12 cents. This was .06 cent below a month earlier and was the first decline since January 1959. The value of fabric in March declined 0.25 cents from a month earlier. This was the first decline in the value of fabric since June 1958. The average price for cotton used in manufacturing the 20 constructions of fabric declined 0.19 cents per pound from a month earlier to 32.75 cents.

CCC loans were outstanding for about 146,000 bales under the Choice B program for the 1959 crop as of March 25, 1960. Purchases under the Choice A program through the same date totaled about 8,632,000 bales. Of this, about 6,341,000 bales have been sold by local sales agencies and the New Orleans commodity office of CCC. Net CCC acquisition of upland cotton from the 1959 crop totaled about 2.4 million bales at the end of March. Stocks held by CCC (owned and held as collateral against outstanding price support loans) of all kinds of cotton from all sources were about 5.7 million bales at the end of March. This includes upland cotton from the 1959 crop, upland cotton from 1958 and earlier crops and extra-long staple cotton. On approximately the same date a year earlier CCC held stocks were 7.7 million bales.

WOOL

World production and consumption are approximately in balance and world prices can be expected to remain relatively firm and mostly unchanged during the next few months. Prices began increasing the middle of March after reaching the season's low in February. By the first of April prices in many markets were as high as at the re-opening of sales after the holiday season in January.

Activity in the Boston market has continued slow with prices unchanged during the past month. Quarter-blood fleeces were in strong demand, with limited quantities available. Medium pulled wools for woolen consumption were most active. New clip domestic wool is moving at a steady pace in scattered sections of the country. There was considerable activity the last of March which may have been caused by growers selling in order to be eligible for an incentive payment during the 1959-60 marketing year which ended on March 31. Bad weather conditions in February and early March delayed shearing in many sections of the country which also led to the increased activity in the past month.

Quoted grease prices received by growers for domestic shorn wool ranged from 44 to 57 cents per pound during the first of April. In Texas prices were reported to be as high as 57 cents on some clips while in Montana and South Dakota most clips were bringing 44 to 55 cents to the grower. Medium fleece wools in the Midwest were quoted at 50 to 53 cents in Indiana, Michigan and Ohio and at 45 cents in Missouri. The average price received by growers in the open market during March was 43.2 cents per pound, up from 42.8 cents in February and 21 percent above the 36.4 cents in March 1959.

Total domestic consumption of apparel and carpet wools during 1960 can be expected to be about the same as in 1959. In February the weekly average rate of fiber consumption on the woolen and worsted systems was approximately equal to the January rate and 1 percent above that of February 1959. The weekly average rate of raw wool consumption during February was 8,858 thousand pounds, 4 percent below the January level but 2 percent above February 1959. Weekly consumption of apparel wool was 5,097 thousand pounds during February, 1 percent below the previous month and 1 percent above February of last year. The weekly average rate of mill use of carpet wool during February was 3,761 thousand pounds, 9 percent less than January 1960 and 3 percent above the February 1959 rate.

Total imports of raw wool during January 1960 were about the same as the month before but were down from a year ago. However, imports of woven wool fabrics in the first quarter of 1960 were significantly above the same period a year earlier. The wool fabric quota of 13.5 million pounds for 1960 was apparently filled on March 4, two and a half months earlier than in 1959. Thus the ad valorem duty on woven wool fabric imports during the rest of 1960 increases from 25 to 45 percent with the exception of an overquota of 350,000 pounds of certain handwoven and religious fabrics where the increase is from 25 to 30 percent.

TOBACCO

Demand for the cigarette and most cigar tobaccos is expected to be strong in the coming season. Cigarette output probably will reach a new high in 1960 and cigar and cigarillo output is likely to be the highest since the early 1920's. The record 1959 output of cigarettes at 490 billion was 4 percent above 1958. The 1959 output was divided about 51 percent nonfilter and 49 percent filter tips compared with the 1958 split of 55 percent nonfilter and 45 percent filter tips. The 1959 consumption of cigars and cigarillos was nearly 7 billion--a $7\frac{1}{2}$ percent gain over 1958. Most of the increases were in the smaller-than-traditional-size cigars and cigarillos.

The other tobacco products--smoking and chewing tobacco and snuff--have been trending downward. The 1959 output of smoking tobacco at 73 million pounds was second lowest this century and total chewing tobacco manufacture at 68 million pounds was a new low. Last year's snuff output at 34 million pounds was the lowest since 1917.

Exports of unmanufactured tobacco may pick up some over 1959. In calendar year 1959, exports of tobacco totaled 520 million pounds, farm sales weight-- $3\frac{1}{2}$ percent below 1958 and 5 percent below the recent 10-year average. Cigarette consumption abroad continues to increase while supplies from some foreign competitive areas are smaller. The new price support law for tobacco is expected to affect exports favorably. The new legislation provides that 1960 price supports will be at the same levels as in 1959. This halts the fairly strong upward trend of the support prices of flue-cured and burley in the last few years. For the 1961 and subsequent crops, the new method of setting price supports is expected to result in only gradual year-to-year changes in price supports.

Tobacco growers with the aid of their marketing quota and acreage allotment programs have made considerable progress in reducing tobacco supplies from the highs of a few years ago. Carryover of flue-cured reached a peak of 2.5 billion pounds in 1957. During 1957-59 flue-cured crops averaged about 135 million pounds less than annual disappearance (domestic use plus exports). Consequently carryover by mid-1960 will be down to about 2.1 billion pounds. Based on indicated 1960 acreage and assuming average yields, this year's crop will also be below disappearance and a further reduction in carryover will occur by mid-1961.

Carryover of burley hit a peak of 1,347 million pounds in 1955. During 1955-59, due to a sharp cutback in acreage, the burley crop averaged about 27 million pounds below disappearance. The October 1960 carryover of burley seems likely to be down to about 1,212 million pounds. Based on intended 1960 acreage and average yields, this year's crop of burley will be less than disappearance and a further reduction in carryover will take place by October 1961.

Owing to a drop in carryover from 1958-59, total supply of Maryland tobacco this year is about 6 percent below a year earlier. Auctions for the 1959 crops--7 percent larger than 1958--are just starting and are scheduled to continue until about mid-July. Government price support is not in effect for the 1959 crop marketings. Last year, an insufficient majority (less than two-thirds of those voting) was in favor of a marketing quota, so none was in effect on the 1959 crop. This year growers voted quotas in effect on their 1960, 1961 and 1962 crops, and these crops will be price-supported.

The carryovers of fire-cured and dark air- and sun-cured tobaccos in October 1960 will be smaller than a year earlier. Based on prospective acreages and average yields, this year's production of fire-cured will be a little larger, and that of dark air- and sun-cured a little smaller, than in 1959.

This year's intended acreage of cigar filler is a little larger than that harvested in 1959 but assuming yields per acre the same as the recent 5-year average, 1960 production would not be quite as large as last year. Last year per acre yields in Pennsylvania and Ohio where all the continental cigar filler is grown, were the highest on record.

The 1960 production of cigar binder in the Connecticut Valley is likely to be down from 1959 due to the sharp drop indicated in the acreage of Broadleaf (type 51). Carryover of the Connecticut Valley binder types is at a record low. There has been a sharp reduction in the use of these types due to the development of processed binder sheet.

The 1960 production of the Wisconsin binder types may be moderately below 1959. Last year average yields per acre were the highest ever recorded and production the largest in 9 years.

The 1960 acreage of shade-grown cigar wrapper in Connecticut may be slightly under that of 1959, but indications are for a moderate increase in Georgia-Florida. Total supply of shade-grown wrapper for 1960-61 seems likely to reach a new high. Carryover on July 1, 1960 will probably top any previous July 1 level.

ECONOMIC FACTORS AFFECTING AGRICULTURE, 1929, 1939, 1941 and 1946-59

Item	Unit or Base	1929	1939	1941	1946	1947	1948	1949	1950	1951	1952	1953	1954	1955	1956	1957	1958	1959p
Industrial production 1/																		
Total	1947-49=100	58	58	85	90	99	103	98	113	123	127	138	130	146	151	152	141	159
Manufacturers	do.	58	57	88	90	99	103	97	113	123	127	139	129	145	150	150	139	158
Durable goods	do.	60	49	91	86	100	105	95	116	130	138	156	138	159	162	162	141	165
Nondurable goods	do.	56	66	84	95	98	102	100	111	115	117	122	122	134	139	141	141	155
Mining	do.	-	-	-	-	101	106	94	105	115	114	117	113	125	132	132	120	125
Utilities	do.	-	-	-	-	91	101	103	123	140	152	166	178	199	218	233	244	268
Total outlay for new construction 2/	Bil. dol.	10.8	8.2	12.0	12.7	17.9	23.2	24.2	30.0	32.7	34.7	37.0	39.4	44.2	45.8	47.8	48.9	54.3
Private residential	Bil. dol.	3.6	2.7	3.5	4.8	7.5	10.1	9.6	14.1	12.5	12.8	13.8	15.4	18.7	17.7	17.0	18.0	22.3
Total civilian employment 3/	Millions	47.6	45.8	50.4	55.2	57.8	59.1	58.4	59.7	60.8	61.0	61.9	60.9	62.9	64.7	65.0	64.0	65.6
Nonagricultural	do.	37.2	36.1	41.2	46.9	49.6	51.2	50.4	52.3	53.7	54.2	55.4	54.4	56.2	58.1	58.8	58.1	59.7
Unemployed	do.	1.6	9.5	5.6	2.3	2.4	2.3	3.7	3.4	2.1	1.9	1.9	3.6	2.9	2.8	2.9	4.7	3.8
Income:																		
Nonagricultural payments 2/#	Bil. dol.	77.7	67.1	88.0	161.2	172.8	189.2	192.1	211.3	237.0	254.3	271.5	273.8	295.0	317.9	335.2	341.1	364.4
Production-worker payrolls 4/	1947-49=100	35.0	29.9	49.3	81.2	97.7	105.1	97.2	111.7	129.8	136.6	151.4	137.7	152.9	161.4	162.7	148.7	167.0
Weekly earnings of production workers in manufacturing 4/	Dollars	25.03	23.86	29.58	43.82	49.97	54.14	54.92	59.33	64.71	67.97	71.69	71.86	76.52	79.99	82.39	83.50	89.47
Durable	do.	27.22	26.50	34.04	46.49	52.46	57.11	58.03	63.32	69.47	73.46	77.23	77.18	83.21	86.31	88.66	90.06	96.87
Nondurable	do.	22.93	21.78	24.92	41.14	46.96	50.61	51.41	54.71	58.46	60.98	63.60	64.74	68.06	71.10	73.51	75.27	79.80
Agricultural trade 5/																		
Domestic exports	Bil. dol.	1.7	.7	.7	3.2	4.0	3.5	3.6	2.9	4.0	3.4	2.8	3.1	3.2	4.2	4.5	3.9	3.9
Imports for consumption	Bil. dol.	2.2	1.1	1.7	2.3	2.8	3.1	2.9	4.0	5.2	4.5	4.2	4.0	4.0	4.0	4.0	3.9	4.1
Prices:																		
Wholesale prices, all commodities																		
Commodities 4/	1947-49=100	62	50	57	79	96	104	99	103	115	112	110	110	111	114	118	119	119
Commodities other than farm and food	do.	66	58	64	78	95	103	101	105	116	113	114	114	117	122	126	126	128
Farm products	do.	59	36	46	83	100	107	93	98	113	107	97	96	90	88	91	95	89
Food, processed	do.	58	43	50	78	98	106	96	100	111	109	105	105	102	102	106	111	107
Prices received by farmers 6/#																		
Crops	1910-14=100	148	95	124	236	276	287	250	258	302	288	255	246	232	230	235	250	240
Livestock and products	do.	135	82	108	228	263	255	224	233	265	267	240	242	231	235	225	223	221
Prices paid, interest, taxes and wage rates 6/#	do.	159	107	138	242	288	315	272	280	336	306	268	249	234	226	244	273	255
Items used in living	1910-14=100	160	123	133	208	240	260	251	256	282	287	277	277	276	278	286	293	298
Items used in production	do.	154	120	130	202	237	251	243	246	268	271	269	270	270	274	282	287	289
Parity ratio #	do.	146	121	130	191	224	250	238	246	273	274	256	255	251	250	257	264	266
		92	77	93	113	115	110	100	101	107	100	92	88	84	83	82	85	80
Consumer price index 4/	1947-49=100	73	59	63	83	96	103	102	103	111	114	114	115	114	116	120	124	125
Food	do.	66	47	52	79	96	104	100	101	113	115	113	113	111	112	115	120	118
Government purchases of goods and services 2/#	Bil. dol.	8.5	13.3	24.8	30.5	28.4	34.5	40.2	39.0	60.5	76.0	82.8	75.3	75.6	79.0	86.2	92.6	97.6
Federal (less Government sales)	do.	1.3	5.2	16.9	20.6	15.6	19.3	22.2	19.3	38.8	52.9	58.0	47.5	45.3	45.7	49.4	52.2	53.5
State and local	do.	7.2	8.2	7.8	9.9	12.7	15.2	17.9	19.7	21.7	23.2	24.9	27.7	30.3	33.2	36.8	40.5	44.1

1/ Federal Reserve Board. 2/ U. S. Department of Commerce. 3/ U. S. Department of Labor for years 1929-39. From 1941-46 old definitions used, 1947 to date new definitions used. 4/ U. S. Department of Labor, Bureau of Labor Statistics. 5/ U. S. Department of Agriculture, Foreign Agricultural Service. 6/ U. S. Department of Agriculture, Agricultural Marketing Service.

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